



Weekly Economic Digest

Joint Economic Committee—Democratic Staff
Senator Jack Reed (RI)—Ranking Member



May 15, 2001

Economic Signals Still Mixed

Industrial production slipped in April, for the seventh consecutive month. For the first time since 1991, industrial production was below its level 12 months earlier. A 1.1 percent drop in the production of business equipment—a major force behind the acceleration of economic growth in the 1990s—played an important role in the overall decline.

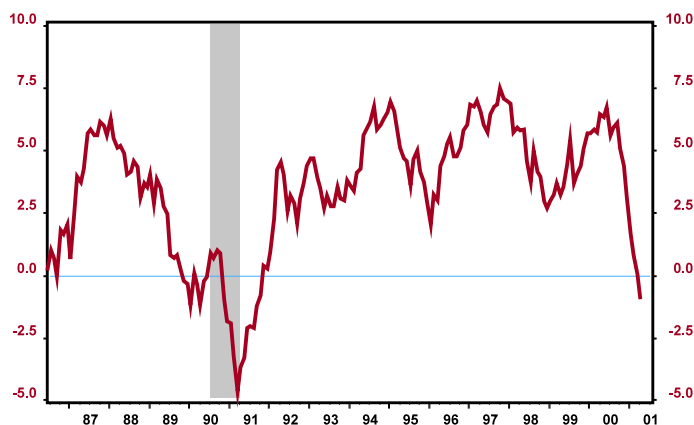
Inflation remained tame. Producer prices for finished goods rose 0.3 percent in April. The core rate, which removes the volatile food and energy components, rose a scant 0.2 percent, consistent with the observed declines in factory operating rates.

Household spending showed signs of strength. Retail sales grew in April for the first time in three months. Spending on motor vehicles continued to show surprising strength. However, some of April's strength in overall retail sales resulted from a downward revision to the March data.

Consumer sentiment improved slightly. The University of Michigan index rose in May. The index is regarded as a leading indicator of consumer purchases, particularly durable goods. This month's rise is likely due to the rebound in stock prices since March.

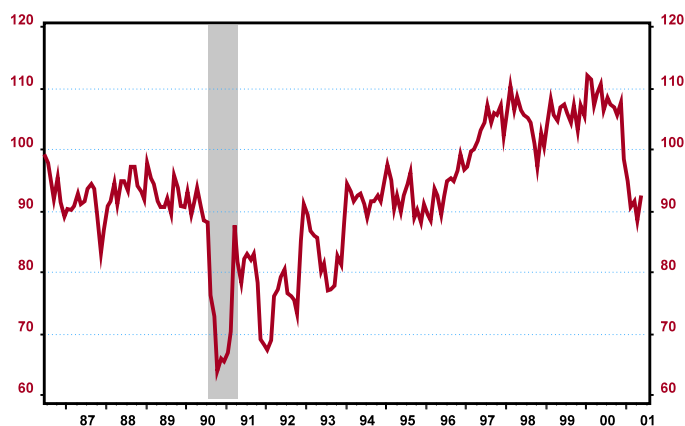
Industrial Production Index

12-month percent change



University of Michigan: Consumer Sentiment

Index value equals 100 in first quarter of 1966



ECONOMY AT A GLANCE	Apr	Mar	Feb	Jan	2001 Qtr 1	2000 Qtr 4	2000 Qtr 3	2000 Qtr 2	2000	1999
Economic Activity										
Real GDP (% growth)					2.0	1.0	2.2	5.6	5.0	4.2
Industrial Production (% growth)	-3.5	-1.2	-4.7	-10.3	-6.5	-0.9	3.5	7.9	5.6	4.2
Capacity Utilization (Level, %)	78.5	78.9	79.2	79.7	79.3	81.3	82.4	82.6	82.1	81.2
Civilian Unemployment Rate (Level, %)	4.5	4.3	4.2	4.2	4.2	4.0	4.0	4.0	4.0	4.2
Housing Starts (Thousands)		1613	1634	1671	1639	1557	1528	1605	1605	1676
Real Disposable Personal Income (% growth)		5.2	2.7	0.2	2.0	0.7	2.6	3.7	2.8	3.2
Retail Sales (% growth)	10.2	-4.3	-2.5	17.0	3.9	0.4	5.5	1.7	7.7	9.1
Personal Saving Rate (Level, %)		-0.8	-1.0	-1.3	-1.0	-0.7	-0.2	0.3	-0.1	2.2
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)		0.7	3.5	7.8	4.2	2.9	3.5	3.0	3.4	2.2
Core CPI-U Inflation (% growth)		2.6	4.0	4.0	3.2	2.4	2.5	2.7	2.4	2.1
Compensation per Hour (% growth)					4.6	3.5	3.8	4.2	4.3	3.2
Output per Hour (% growth)					-.1	2.0	3.0	6.3	4.3	2.6
Financial Markets										
T-Bill Rate, 3-month (Level, %)	3.9	4.4	4.9	5.2	4.8	6.0	6.0	5.7	5.8	4.6
T-Note Rate, 10-years (Level, %)	5.1	4.9	5.1	5.2	5.1	5.6	5.9	6.2	6.0	5.6
Federal Funds Rate (Level, %)	4.8	5.3	5.5	6.0	5.6	6.5	6.5	6.3	6.2	5.0
Dow Jones Industrial Avg (Index Level)	10235	10081	10775	10683	10513	10586	10882	10703	10735	10465
SOURCES: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.										
NOTES: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted annual rates. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate the secondary market rate.										

Major Economic News Due This Week:

- **Federal Open Market Committee Meeting** [Tuesday, May 15, 2001]
Analysts expect the Fed to cut its target rate for federal funds by half a percentage point.
- **Consumer Price Index & Housing Starts, April** [Release: Wednesday, May 16, 2001]
- **International Trade, March** [Release: Friday, May 18, 2001]